

REMARKS

Claims 1-40 are pending in the application. Claims 1, 14, 23, 27, 32, 36 and 38 as now amended are the independent claims. The claims have been amended for clarity in reciting the various aspects and features of the present invention. Support for the foregoing claim amendments are found at least in the claims as originally filed and on Specification page 14, lines 17-19; pages 19-20; page 23; page 24, line 18 - page 25, line 7; page 25, lines 8-16; page 25, line 4 - page 26 line 20; and page 32, lines 1-2 and Fig. 4 (with regard to terms like "computer system", "system program" and "computer network"). No new matter is introduced.

The foregoing amendments to the Specification correct errors of a clerical nature and introduce no new matter. Acceptance is respectfully requested.

Claims 1-40 have been rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. The claims as now amended recite technological arts that enables a useful, concrete, tangible result. For example, base Claims 1, 14 and 23 recite computer implemented steps which employ a computer network or a computer (processors) coupled to the computer network. Base Claim 27 is a method that recites steps in a computer system, charity checks and electronic disbursements. Base Claims 32, 36 and 38 now recite the limitations of "in a computer system" and "electronically transferring (or delivering)". Thus each of these base claims recites elements in the body of the claim tied to technological art, environment or machine and thus claim statutory subject matter. Each of the dependent claims depend from one of these base claims and thus also recite statutory subject matter. Acceptance is respectfully requested such that the § 101 rejection is overcome.

Claims 1-40 have been rejected under 35 U.S.C. § 103 as being unpatentable over Jones et al. (U.S. Patent No. 6,021,397).

Briefly, the present invention may be generally described as a digital processing apparatus that improves the process of giving to charity through one or more of the following:

(1) Accelerated and automated transfer: accelerating the transfer of gifts from Party A to Party B (generally from donor to charity) with the option of real-time transfers made available at certain financial institutions.

(2) New giving capabilities: providing new (previously unavailable) mechanisms for giving to charity.

(3) New disbursement methods: providing novel distribution methods for delivering cash to charities.

(4) Optimization: providing and applying algorithms incorporating business logic to assist the donor in selecting gifts to optimize the after tax benefits of such gifts.

The attached figure (Exhibit A) shows an example of one implementation of the present invention. The figure illustrates how a donor may use one component of the present invention to execute a gift through a Web interface. The figure shows how the donor might place a "market" order to execute the gift in real time, thereby generating a tax receipt based on the bid-ask spread of the security at the instant of gift transfer. Alternatively, the donor might place a "limit" order to cause the gift to be executed the instant a preselected price (as determined by the donor) was hit by the security being given. The present invention provides the donor with tremendous and unprecedented control over the timing and thus valuation of his asset gift to charity. See Specification Fig. 2, page 8, line 10 - page 9, line 11; page 27, lines 15-28; and page 31, line 13 - page 32, line 14.

With respect to the cited art, the present invention and the Jones reference might be said to be the same or different in the same way an auto dealership which sells new cars is the same as or different from an auto mechanic's shop which merely repairs cars. That is, the present invention "sells cars" by moving them from one owner to another (from the donor to the charity) as efficiently as possible. The Jones reference "fixes cars" by optimizing them to run as smoothly and efficiently as possible (creating an efficient optimized portfolio for the client to maximize investment return). More directly put, the Jones reference helps individuals accrue the most money possible. In contrast, the present invention helps individuals give away as much money (asset value) as possible or at least give it away as efficiently as possible.

At its core, Jones deals with a systematic asset selection process for optimizing the total (after tax) investment return of investors. As Jones states in its "Field of the Invention" section, the Jones disclosure "...relates to a system for advising a user regarding feasible and optimal portfolio allocations among a set of available financial products." Jones seeks to allocate and re-allocate investment funds in the optimal investment vehicles for maximizing long term returns

(on an after tax basis). Thus, Jones seeks to create an efficient long term investment strategy to deliver optimal investment returns to the client. On the other hand, the present invention seeks to maximize the tax benefit to a donor who is making a current contribution to a charity (or "receiving entity" generally).

The foregoing patentable distinctions are found in the claim language of each base claim as follows:

Claim 1

"A computer based method for providing gifts including transfers of assets...:

...using at least one computer in the computer network, analyzing the subject donor investment portfolio and identifying assets representing tax efficient gift transfers from a donor to a receiving entity...

(ii) for each asset...calculating and displaying estimated tax savings achievable by transferring the asset as a gift from the subject donor investment portfolio...and

through a computer coupled to the computer network, enabling donor selection of (i) specific assets...for transferring as a gift to the receiving entity, and (ii) timing of transfer of each selected asset such that valuation of each donor selected asset is defined as a function of donor selected timing of transfer.

Claim 14

"A computer based method of transferring assets as gifts...comprising the computer implemented steps of:

in a computer network:

(a) controlling price at which an asset is given as a gift from a donor to a receiving entity by:...

(ii) enabling the donor to predefine a time...which the desired transfer is to occur...

(b) determining for the donor, tax efficiency of the desired transfer as of the donor predefined time, the tax efficiency being determined as a function of dollar value of the donor selected asset as of the donor predefined time of the desired transfer;..."

Claim 23

"A computer system for transferring an asset as a gift...
instructions responsive in the program for automatically:
...selecting specific assets from the donor investment portfolio for transferring as a gift to the receiving entity, said selecting including donor selected timing of transfer of each selected asset such that valuation of each selected asset is defined as a function of donor selected timing of transfer; and
electronically transferring the selected assets as a gift to the receiving entity..."

Claim 27

"A method for charitable gift giving, comprising the steps of:
...providing a charity check...and
issuing the charity check to the donor for future use at a desired time of the user making a charitable gift, the charity check at that time serving as instructions from the donor to the donor advised organization to electronically disburse funds to make the charitable gift."

Claim 32

"A method for workplace charitable gift giving comprising the steps of:
...that utilizes pretax employee income means to define, in a computer system, one or more charitable gifts...and
using the charitable gifts defined in the employer benefits system, electronically transferring pre-tax corresponding amounts of the employee waived income as gifts to at least one charity..."

Claim 36

"A method for transferring assets as gifts from a donor...
in a computer system, identifying the amount of unrealized gain allocated to an owner of units from a limited partnership, the limited partnership including a hedge fund;

...

electronically transferring, as a gift, at least a part of the remaining units that represent the owner's unrealized gain to a receiving entity, the receiving entity including a charity."

Claim 38

"A method for transferring assets as a gift from a donor...:

in a computer system:

declining receipt, by an owner, of at least a portion of a unitized fund distribution, the distribution being taxable;

using the declined portion to form a tax efficient gift from the owner as a donor to a charity, by:

(i) specifying a receiving entity to receive the gift formed from the declined portion...; and..."

In contrast, nowhere in Jones is the concept of "donors" represented or disclosed. Nowhere is there a discussion of "transferring the asset as a gift" from the donor investment portfolio to the receiving entity (as in base Claims 1, 14 and 23) nor is there any discussion of "selecting an asset transfer timing technique"/"donor selected timing of transfer" (Claims 1, 14 and 23) or "recording an exact price of the asset at the time the asset is transferred" as in Claim 18 (i.e., "valuation of each donor selected asset is defined as a function of donor selected timing of transfer" in base Claims 1 and 23).

The Examiner correctly points out that Jones does not discuss "proxy organization" or "the donation of an appreciated asset". In fact, the only item that arguably is in common between the present invention as now claimed and the Jones reference is the concept of portfolio analysis. Even there, the methodologies for calculation are entirely different as are the goals and purposes for such analysis.

Claims 27-31 involve Donor Advised Organizations (DAO), which may or may not be acting in the role of a "proxy organization" for the purpose of securities transfers. Claims 27-31 are unrelated to the idea of proxies, but instead deal with the present invention as it relates to

disbursing cash proceeds from a DAO account. There is no implicit or explicit requirement that the cash available in a DAO account for distribution must have come from a transferred security. The cash may have come from any source, including (for example) a gift by check or credit card. Thus, claims 27-31 do not deal with assets or monies coming into the account but rather cash or monies going out of the account using the present invention "charity check". See Specification page 23, lines 12 through page 24, line 10, further describing charitable gift checks ("charity checks"). No such "charity check" is implied or suggested by Jones.

The Office Action states "As to claim 32, the use of an employee benefits system for facilitating employee donations to a charity are old and well known, whether it be a direct payroll receivable to the employee or a bonus to be redirected." Applicants agree that payroll deduction for charitable contributions has been used for many years by United Way, et. al., for the purpose of making gifts to charity. The present invention (specifically in claims 32-35), however, provides a mechanism for and execution of charitable gifts that is dramatically different from today's workplace giving programs. The present invention creates the unique outcome that employee gifts may be made on a pretax basis rather than an after-tax basis. All employee workplace giving systems in existence today require that gifts be made on an after-tax basis.

As to the examiner's proposition that redirected bonuses are "old and well known" for the purpose of making charitable gifts, Applicants are unaware that this is true. Even if it were accurate, Applicants maintain that the present invention provides a novel methodology for executing such gifts on a regular basis by employees.

The Office Action states "As to claim 36, the source of the security interest is not material to the donation concept and methods of transfer." Applicants contend that the giving of tax-advantaged hedge fund units, addressed in claims 36-37, requires a completely different strategy for execution from the giving of publicly traded securities such as stocks and bonds.

Because hedge funds are almost always private, no publicly traded market exists for managing the buying, selling, and liquidating of hedge fund units. The present invention provides a structured means for transferring such units to charity and liquidating them.

Hedge funds operate as limited partnerships. The tax regulations for buying and selling units of limited partnerships are significantly different from those that govern the buying and selling of publicly traded securities such as stocks. One result of the differing regulations is that

making gifts of partial interests in limited partnerships often has little or no incremental tax benefit to the donor. However, the present invention structures partial-interest contributions such that limited partnership gifts become tax advantaged through a technique of segregating the donor's basis from his unrealized gains held within the partnership units.

The result of the present invention is that it creates a "carveout" of limited partnership units whereby 100% of the gift can be in the form of unrealized gains. The donor is able to keep 100% of his principal (for which there is no taxable benefit in giving to charity beyond that of merely giving cash), and is able to give part or all of his unrealized gains to charity. This system for giving to charity is quite different from giving other securities such as stocks and bonds, because with securities like stocks and bonds, one cannot separate the principal (basis) from the unrealized gain. When a stock or bond is given, part of the interest is in the form of principal and part of the interest is in the form of unrealized gain.

The Office Action states "As to claim 38, a donation is a donation, whether it is directly from the pocket of the donor or if it is an asset of the donor redirected by specific instruction of the donor, either directly or through a proxy organization."

The invention in claims 38-40 relates to the ability of a donor to, in effect, make pretax contributions (a "tax efficient gift") to a charity through mutual fund distributions. More specifically, the present invention systematizes and automates the steps required to allow a mutual fund owner to decline receipt of a pending distribution (e.g., a dividend or capital gains distribution). Once the distribution is declined, it becomes available for giving to a charity. The claimed method of giving to charity creates the ability for a donor to make a gift on a pretax basis (i.e., before he has been required to pay taxes on the proceeds) rather than on an after-tax basis. This practice of declining distributions for the purpose of charitable giving currently does not exist in the industry today outside of the present invention. Yet it is an important innovation to help control the receipt of taxable income for mutual fund owners who are also charitably inclined, because mutual fund companies today have excessively high turnover in their portfolios. This results in a high (some would say, unacceptable) generation rate of capital gains for the "buy and hold" investor.

As such, the Jones reference does not imply, suggest or otherwise make obvious the gift giving methods and system of the present invention as now claimed in base Claims 1, 14, 23, 27,

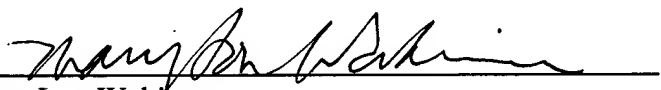
32, 36 and 38. Each dependent claim depends from one of these base claims and thus also are not made obvious by Jones. Withdrawal of the § 103 rejection is respectfully requested.

CONCLUSION

In view of the above amendments and remarks, it is believed that all claims (Claims 1-40) are in condition for allowance, and it is respectfully requested that the application be passed to issue. If the Examiner feels that a telephone conference would expedite prosecution of this case, the Examiner is invited to call the undersigned.

Respectfully submitted,

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